

their exports for a time in specie. The opposite policy caused bullion to flow freely into the Bank of England and permitted the gradual reduction of the discount rate to two and a half per cent, in January, 1862. The high price of cotton still required specie exports, but not to the United States. The blockade of the Southern ports compelled English mills to seek their raw materials in other markets. India, Egypt, and China were appealed to, and it was not possible to compensate this new trade at once by exports of merchandise. It had to be settled, especially in the case of India, by exports of silver from Great Britain.¹ France felt the counter-stroke of this movement in the steady export of silver in exchange for gold. Silver was more valuable as bullion than at the ratio fixed by the French coinage laws and was sold at a premium for gold imported from England and the United States. The Bank of France was driven to making its redemptions in gold, in order to prevent a run for silver. The bank not only exchanged 50,000,000 francs in silver for an equal sum in gold, at the coinage ratio, with the Bank of England, but in November, 1860, effected a like exchange of 30,000,000 francs with Russia and in July, 1861, of 6,000,000 francs with the Bank of Italy.²

The reduction of the cotton supply, the derangement caused by the new supplies of gold, and the accumulation of capital in Great Britain as the result of the extended use of machinery, gave a feverishness and speculative character to the money market which recalled the manias of 1825 and 1847 in Great Britain and of 1837 and 1857 in the United States. One of the new elements which entered into the problem in Great Britain was the creation of companies of

¹The net imports of silver into India for the four years ending March 31, 1866, were 54,094,337 tens of rupees, or 13,523,584 tens of rupees per year, while the bills on India sold by the home government were 29,409,469 tens of rupees, or 7,352,368 tens of rupees per year. The annual average for the five years ending with 1860 was 10,072,495 tens of rupees in silver and 992,569 in bills. The ten of rupees was about equal to £1*

²Juglar, 426.